

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 3107 – HB 3723**

April 3, 2012

**SUMMARY OF AMENDMENT (014841):** Deletes all language after the enacting clause. Authorizes a special allocation of state and local sales tax revenue to a qualified municipality that purchases an existing stadium for a minor league baseball affiliate, Class AA level or higher, of a major league baseball team, if the municipality issues bonds to assist with such stadium purchase. The special allocation of state and local sales tax revenue shall begin at such time as the minor league baseball affiliate begins operating in the stadium following the stadium purchase by the qualified municipality. The special allocation shall be equal to the amount of state and local sales tax revenue derived from the sale of admissions to games, the sale of food and drinks sold on the premises of the stadium, any parking charges and related services, as well as the sale by the sports franchise of any authorized goods and products associated with the team's operation, when such sales occur within the county in which such games take place. The special allocation shall not include any local taxes collected in the year preceding the stadium purchase. Defines "best interests of the state" to mean a determination that the purchase of the stadium within the municipality will result from the special allocation and distribution of state and local sales tax and that the purchases of the stadium by the municipality will significantly enhance economic activity within the municipality. Requires the municipality to first obtain certification from the Commissioners of the Department of Revenue and the Department of Economic and Community Development that the special allocation of state and local sales tax revenue is in the best interests of the state. Requires monies specially-allocated to qualified municipalities be used for the retirement of debt service on bonds issued by the municipality for the purchase of the existing stadium.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Exceeds \$250,000**

**Forgone State Revenue – Exceeds \$25,000**

**Increase Local Revenue – Exceeds \$275,000**

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**Other Fiscal Impact – A shift of use for future local sales tax revenue derived from incremental sales occurring within a stadium property following the purchase of the stadium by the qualified municipality. Such amount is reasonably estimated to exceed \$8,900 per year.**

Assumptions applied to amendment:

- The fiscal impact of this bill as amended is dependent upon several unknown factors such as the number of existing stadiums that will be purchased by municipalities in the future using bond proceeds, the number of municipalities that will qualify for the proposed special allocation of state and local sales tax revenue, the extent of taxable sales occurring within the stadium properties prior to the purchase of any stadiums by qualified municipalities, the extent of taxable sales that will occur within the stadium properties following the purchase of the stadiums by qualified municipalities, and the coupon rates and terms of any bond issuances.
- This bill as amended is assumed to apply to one municipality with one currently-existing privately-owned stadium. However, the bill as amended could apply to more than one municipality with an existing stadium.
- This bill as amended will cause state sales tax revenue, which is currently being collected and remitted to the state and used for general purposes of state government, to be allocated to a qualified municipality for the purpose of retiring bond issuance debt incurred by the qualified municipality when purchasing the privately-owned stadium; thus, a recurring decrease in state revenue. This is assumed to occur because the privately-owned stadium that will be purchased by the qualified municipality is an existing stadium that currently generates sales tax revenue for the state. The extent of sales occurring within the stadium property under current law is unknown. As a result, determining the precise recurring decrease in state revenue as a result of this bill as amended is difficult. However, the recurring decrease in state revenue is reasonably estimated to exceed \$250,000. This estimate assumes that at least \$3,571,429 in taxable sales ( $\$250,000 / 7.0\%$  current state sales tax rate) occur each year within the stadium property under current law. Such current sales may include, but are not limited to, lease charges for stadium property, ticket admission sales, concession sales, novelty and souvenir sales, and parking fees.
- The state will also forgo any future incremental sales tax revenue that will be generated within the stadium property following the purchase of the stadium by the qualified municipality. The extent of incremental sales that will occur within the stadium property in the future is unknown. However, it is reasonably estimated that taxable sales occurring within the stadium property will increase sufficiently for the state to incur recurring forgone state revenue exceeding \$25,000 each year. Such incremental sales will result as general prices increase for attending sporting events, purchasing of concessions, etc.
- The total recurring increase in local revenue is reasonably estimated to exceed \$275,000 ( $\$250,000$  minimum from current state sales tax revenue +  $\$25,000$  minimum from forgone state sales tax revenue that would occur in the future under current law).

- There will be no shift of use for current local sales tax revenue as a result of the provision codified in Section 1 (iv) (b) of the bill as amended, which indicates the apportionment shall be “less local taxes collected in the year preceding the stadium purchase”. However, there will be a shift of use for future local sales tax revenue derived from any incremental sales occurring within the stadium property following the purchase of the stadium by the qualified municipality. Such amount is estimated to exceed \$8,928 each year [(\$25,000 estimated forgone state revenue / 7.0% state sales tax rate) x 2.5% average local option sales tax rate].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

/rnc